

Township of Oakfield
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Oakfield, Michigan's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$226,403 (8 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$239,698 while the net assets of the business-type activities decreased by \$13,295.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$512,016, which represents 77 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2008 and 2007 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Government-wide financial statements (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire protection and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues.

The Township has two kinds of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focuses on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.
- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activity but provides more detail and additional information, such as cash flows.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$2,914,653, an increase of 8 percent compared to the prior year. Of this total, \$1,599,257 is invested in capital assets, net of related debt, and \$116,781 is restricted for various purposes. Consequently, unrestricted net assets were \$1,198,615 or 41 percent of the total. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$1,103,807	\$1,047,625	\$ 248,990	\$ 248,975	\$1,352,797	\$1,296,600
Capital assets	<u>1,270,364</u>	<u>1,122,419</u>	<u>448,893</u>	<u>462,203</u>	<u>1,719,257</u>	<u>1,584,622</u>
Total assets	<u>2,374,171</u>	<u>2,170,044</u>	<u>697,883</u>	<u>711,178</u>	<u>3,072,054</u>	<u>2,881,222</u>
Current liabilities	37,401	72,972	-	-	37,401	72,972
Long-term debt outstanding	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Total liabilities	<u>37,401</u>	<u>72,972</u>	<u>120,000</u>	<u>120,000</u>	<u>157,401</u>	<u>192,972</u>
Net assets:						
Invested in capital assets, net of related debt	1,270,364	1,122,419	328,893	342,203	1,599,257	1,464,622
Restricted	37,269	-	79,512	125,000	116,781	125,000
Unrestricted	<u>1,029,137</u>	<u>974,653</u>	<u>169,478</u>	<u>123,975</u>	<u>1,198,615</u>	<u>1,098,628</u>
Total net assets	<u>\$2,336,770</u>	<u>\$2,097,072</u>	<u>\$ 577,883</u>	<u>\$ 591,178</u>	<u>\$2,914,653</u>	<u>\$2,688,250</u>

Changes in net assets. The Township's total revenues for fiscal year 2008 were \$805,997. Nearly 43 percent of the Township's revenues come from state shared revenue while only 17 percent comes from property taxes. Charges for services represent almost 28 percent of total revenues.

The total cost of all the Township's programs for fiscal year 2008, covering a wide range of services, totaled \$579,594. More than 41 percent of the Township's costs relate to general government services. Public works costs represented 27 percent of all costs during the year.

Township of Oakfield
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program revenues:						
Charges for services	\$ 186,869	\$ 153,313	\$ 39,817	\$ 39,586	\$ 226,686	\$ 192,899
Operating grants and contributions	6,910	6,703	-	-	6,910	6,703
Capital grants and contributions	14,245	56,452	-	5,000	14,245	61,452
General revenues:						
State shared revenue	345,843	344,038	-	-	345,843	344,038
Property taxes	136,297	128,739	-	-	136,297	128,739
Interest income	47,953	39,863	8,152	13,896	56,105	53,759
Franchise fees	19,911	19,853	-	-	19,911	19,853
Total revenues	<u>758,028</u>	<u>748,961</u>	<u>47,969</u>	<u>58,482</u>	<u>805,997</u>	<u>807,443</u>
Expenses:						
Legislative	7,645	8,660	-	-	7,645	8,660
General government	237,936	226,956	-	-	237,936	226,956
Public safety	160,488	136,202	-	-	160,488	136,202
Public works	92,693	149,789	-	-	92,693	149,789
Recreation and culture	8,751	-	-	-	8,751	-
Community and economic development	10,817	11,077	-	-	10,817	11,077
Sewer	-	-	61,264	51,576	61,264	51,576
Total expenses	<u>518,330</u>	<u>532,684</u>	<u>61,264</u>	<u>51,576</u>	<u>579,594</u>	<u>584,260</u>
Increase (decrease) in net assets	<u>\$ 239,698</u>	<u>\$ 216,277</u>	<u>\$ (13,295)</u>	<u>\$ 6,906</u>	<u>\$ 226,403</u>	<u>\$ 223,183</u>

Governmental activities

Governmental activities increased the Township's net assets by \$239,698 compared to a \$216,277 increase in the prior year. The increase in net assets was due to managing operating costs and making significant investments in capital assets.

The following table shows the costs of the Township's programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities was \$518,330.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

However, the amount that our taxpayers paid for these activities through general revenues was \$310,306. Some of the cost was paid by:

- Those who directly benefited from the programs (\$186,869).
- The State subsidized certain public works programs with a grant (\$6,910).
- The federal government provided a capital grant (\$14,245) for fire equipment.

The Township paid for the \$310,306 "public benefit" portion with \$550,004 in general revenues including property taxes and state shared revenue.

	<i>Total cost of services</i>	<i>Net cost of services</i>
General government	\$ 237,936	\$ 159,377
Public safety	160,488	83,317
Public works	92,693	46,788
Other	27,213	20,824
Total	\$ 518,330	\$ 310,306

Business-type activities

Business-type activities decreased the Township's net assets by \$13,295. The decrease in net assets occurred because rates were not set to cover the full cost of services including depreciation.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$1,057,773 an increase of \$83,120 over last year's balances.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$512,016, which represents 77 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance increased by \$33,415 during the fiscal year because current year revenues were sufficient to cover current year expenditures. The fund balance increased because we made an effort to decrease expenditures in the current year.

The fund balance of the Capital Improvement Fund increased by \$42,782 reflecting amounts transferred from the General Fund and interest income.

Proprietary fund. The Sewer Fund, the Township's sole proprietary fund, experienced a decrease in net assets of \$13,295 for reasons explained above.

General Fund budgetary highlights

The Township Board amended the General Fund budgeted expenditures during the year to reflect increased costs experienced during the year. Total budgeted expenditures were increased by \$14,531.

Revenues and transfers in were \$46,166 less than budgeted as transfers to the Capital Improvement Fund were less than we originally thought necessary. General Fund expenditures were \$151,455 less than the amounts appropriated primarily because road construction costs ended up being \$98,074 less than anticipated. These conditions resulted in a \$235,580 positive budget variance, and a \$33,415 increase in fund balance compared to a budgeted \$202,165 decrease. There were no negative variances in any of the General Fund functional expenditure classifications.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008, amounts to \$1,719,257 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, equipment, shared road costs, and sewer facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$134,635, or 8 percent.

This year's major capital asset additions included:

- Shared road improvement projects with costs of \$214,695

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

The long-term debt balance at the end of the fiscal year was \$120,000 (unchanged from 2007, as the Township paid the 2008 installment at the beginning of fiscal year 2009).

Economic condition and outlook

The economic condition of Oakfield Township is excellent. We have limited discretionary spending and wage increases, but we still are paving and maintaining roads. We are providing the important and necessary services to our residents and community as a whole. As for the economic outlook for Oakfield Township, it looks excellent so long as the Township Board continues to be fiscally responsible with the funds that we have to work with.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Greg Dean, Supervisor
Township of Oakfield
10300 14 Mile Road
Rockford, MI 49341

Phone: (616) 754-5679

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Oakfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Oakfield, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township of Oakfield, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Oakfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Oakfield, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and the budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

July 25, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Township of Oakfield
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 385,980	\$ 197,981	\$ 583,961
Investments	637,493	-	637,493
Receivables	<u>80,334</u>	<u>11,009</u>	<u>91,343</u>
Total current assets	<u>1,103,807</u>	<u>208,990</u>	<u>1,312,797</u>
Noncurrent assets:			
Receivables	-	40,000	40,000
Capital assets not being depreciated - land	15,906	-	15,906
Capital assets being depreciated, net of accumulated depreciation	<u>1,254,458</u>	<u>448,893</u>	<u>1,703,351</u>
Total noncurrent assets	<u>1,270,364</u>	<u>488,893</u>	<u>1,759,257</u>
Total assets	<u>2,374,171</u>	<u>697,883</u>	<u>3,072,054</u>
LIABILITIES			
Current liabilities:			
Payables	37,401	-	37,401
Bonds payable	<u>-</u>	<u>80,000</u>	<u>80,000</u>
Total current liabilities	37,401	80,000	117,401
Noncurrent liabilities - bonds payable	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Total liabilities	<u>37,401</u>	<u>120,000</u>	<u>157,401</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,270,364	328,893	1,599,257
Restricted for:			
Public works	37,269	-	37,269
Debt service	-	79,512	79,512
Unrestricted	<u>1,029,137</u>	<u>169,478</u>	<u>1,198,615</u>
Total net assets	<u>\$ 2,336,770</u>	<u>\$ 577,883</u>	<u>\$ 2,914,653</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 7,645	\$ -	\$ -	\$ -
General government	237,936	78,559	-	-
Public safety	160,488	62,926	-	14,245
Public works	92,693	38,995	6,910	-
Recreation and culture	8,751	-	-	-
Community and economic development	10,817	6,389	-	-
Total governmental activities	518,330	186,869	6,910	14,245
Business-type activity - Sewer	61,264	39,817	-	-
Totals	<u>\$ 579,594</u>	<u>\$ 226,686</u>	<u>\$ 6,910</u>	<u>\$ 14,245</u>

General revenues:

State shared revenue
Property taxes
Interest income
Franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (7,645)		\$ (7,645)
(159,377)		(159,377)
(83,317)		(83,317)
(46,788)		(46,788)
(8,751)		(8,751)
<u>(4,428)</u>		<u>(4,428)</u>
(310,306)		(310,306)
<u>-</u>	\$ <u>(21,447)</u>	<u>(21,447)</u>
<u>(310,306)</u>	<u>(21,447)</u>	<u>(331,753)</u>
345,843	-	345,843
136,297	-	136,297
47,953	8,152	56,105
<u>19,911</u>	<u>-</u>	<u>19,911</u>
<u>550,004</u>	<u>8,152</u>	<u>558,156</u>
239,698	(13,295)	226,403
<u>2,097,072</u>	<u>591,178</u>	<u>2,688,250</u>
<u>\$ 2,336,770</u>	<u>\$ 577,883</u>	<u>\$ 2,914,653</u>

See notes to the financial statements

Township of Oakfield
BALANCE SHEET - governmental funds
March 31, 2008

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Total</u>
	<u>General</u>	<u>Capital Improvement</u>	<u>Cemetery</u>	<u>governmental funds</u>
ASSETS				
Cash	\$ 363,481	\$ 22,499	\$ -	\$ 385,980
Investments	151,504	459,693	26,296	637,493
Receivables	80,334	-	-	80,334
Total assets	<u>\$ 595,319</u>	<u>\$ 482,192</u>	<u>\$ 26,296</u>	<u>\$ 1,103,807</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 37,401	\$ -	\$ -	\$ 37,401
Deferred revenue	8,633	-	-	8,633
Total liabilities	<u>46,034</u>	<u>-</u>	<u>-</u>	<u>46,034</u>
Fund balances:				
Reserved for public works	37,269	-	-	37,269
Designated for public works	-	200,000	-	200,000
Unreserved, undesignated	512,016	282,192	26,296	820,504
Total fund balances	<u>549,285</u>	<u>482,192</u>	<u>26,296</u>	<u>1,057,773</u>
Total liabilities and fund balances	<u>\$ 595,319</u>	<u>\$ 482,192</u>	<u>\$ 26,296</u>	<u>\$ 1,103,807</u>

Fund balances - all governmental funds \$ 1,057,773

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,184,141

Certain receivables are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 8,633

Net assets of *governmental activities* \$ 2,250,547

See notes to financial statements

Township of Oakfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<u>Major funds</u>		<u>Nonmajor fund</u>	<u>Total</u>
	<u>General</u>	<u>Capital Improvement</u>	<u>Cemetery</u>	<u>governmental funds</u>
REVENUES				
Property taxes	\$ 186,290	\$ -	\$ -	\$ 186,290
Licenses and permits	52,263	-	-	52,263
Federal grant	14,245	-	-	14,245
State grants	352,753	-	-	352,753
Charges for services	20,823	-	2,500	23,323
Interest and rentals	53,488	17,024	1,160	71,672
Other	46,449	-	2,400	48,849
Total revenues	<u>726,311</u>	<u>17,024</u>	<u>6,060</u>	<u>749,395</u>
EXPENDITURES				
Legislative	7,645	-	-	7,645
General government	211,560	-	-	211,560
Public safety	113,996	-	-	113,996
Public works	272,723	-	-	272,723
Community and economic development	10,817	-	-	10,817
Recreation and culture	8,751	-	-	8,751
Capital outlay	40,783	-	-	40,783
Total expenditures	<u>666,275</u>	<u>-</u>	<u>-</u>	<u>666,275</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>60,036</u>	<u>17,024</u>	<u>6,060</u>	<u>83,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	25,758	863	26,621
Transfers out	(26,621)	-	-	(26,621)
Total other sources (uses)	<u>(26,621)</u>	<u>25,758</u>	<u>863</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>33,415</u>	<u>42,782</u>	<u>6,923</u>	<u>83,120</u>
FUND BALANCES - BEGINNING	<u>515,870</u>	<u>439,410</u>	<u>19,373</u>	<u>974,653</u>
FUND BALANCES - ENDING	<u>\$ 549,285</u>	<u>\$ 482,192</u>	<u>\$ 26,296</u>	<u>\$ 1,057,773</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)
Year ended March 31, 2008

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ 83,120
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital assets:	
Assets acquired	237,069
Provision for depreciation	(89,124)
Because some receivables will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period.	<u>8,633</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 239,698</u>

See notes to financial statements

Township of Oakfield
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2008

	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash	\$ 197,981
Receivables	<u>11,009</u>
Total current assets	<u>208,990</u>
Noncurrent assets:	
Receivables	40,000
Capital assets, net of accumulated depreciation	<u>448,893</u>
Total noncurrent assets	<u>488,893</u>
Total assets	<u>697,883</u>
LIABILITIES	
Current liabilities - bonds payable	80,000
Noncurrent liabilities - bonds payable	<u>40,000</u>
Total liabilities	<u>120,000</u>
NET ASSETS	
Invested in capital assets, net of related debt	328,893
Restricted for debt service	79,512
Unrestricted	<u>169,478</u>
Total net assets	<u><u>\$ 577,883</u></u>

See notes to financial statements

Township of Oakfield

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund***

Year ended March 31, 2008

	<u><i>Sewer Fund</i></u>
OPERATING REVENUES	
Charges for services	\$ 39,817
OPERATING EXPENSES	
Operation and maintenance	46,130
Depreciation	<u>13,310</u>
Total operating expenses	<u>59,440</u>
OPERATING LOSS	<u>(19,623)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	8,152
Interest expense	<u>(1,824)</u>
Total nonoperating revenues	<u>6,328</u>
CHANGE IN NET ASSETS	(13,295)
NET ASSETS - BEGINNING	<u>591,178</u>
NET ASSETS - ENDING	<u><u>\$ 577,883</u></u>

See notes to financial statements

Township of Oakfield
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2008

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 39,887
Payments to suppliers	<u>(46,130)</u>
Net cash used in operating activities	<u>(6,243)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of special assessment principal	27,622
Collection of special assessment interest	2,320
Interest payments on capital debt	<u>(1,824)</u>
Net cash provided by capital and related financing activities	<u>28,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>5,832</u>
NET INCREASE IN CASH	27,707
CASH - BEGINNING	<u>170,274</u>
CASH - ENDING	<u><u>\$ 197,981</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (19,623)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	13,310
Change in assets and liabilities:	
Receivables	<u>70</u>
Net cash used in operating activities	<u><u>\$ (6,243)</u></u>

See notes to financial statements

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Oakfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Capital Improvement Fund accounts for the use of unrestricted revenues from the General Fund to finance the costs of capital improvements, primarily road construction costs.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer systems, shared road costs, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Equipment	5 - 20 years
Vehicles	20 years
Shared road costs	20 years

iv) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period.

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. The following schedule sets forth significant budget variances during the fiscal year:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	Weed control	\$ -	\$ 32,411	\$ 32,411

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments, as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Deposits	\$ 385,380	\$ 197,981	\$ 583,361
Investments	637,493	-	637,493
Cash on hand	<u>600</u>	<u>-</u>	<u>600</u>
Total cash and investments	<u>\$ 1,023,473</u>	<u>\$ 197,981</u>	<u>\$ 1,221,454</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At March 31, 2008, \$489,481 of the Township's bank balances of \$589,481 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute, and f) investment pools organized under the local government investment pool act. At March 31, 2008, the Township's investments consisted of holdings, in the amount of \$637,493, in the Kent County Investment Pool, a non-risk categorized, qualifying investment pool. The investments are recorded at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

At March 31, 2008, the receivables of the Township's funds are as follows:

	<i><u>Property taxes</u></i>	<i><u>Accounts</u></i>	<i><u>Inter- govern- mental</u></i>	<i><u>Special assess- ments</u></i>	<i><u>Totals</u></i>
Governmental funds:					
General Fund	<u>\$12,889</u>	<u>\$ 11,598</u>	<u>\$ 54,344</u>	<u>\$ 1,503</u>	<u>\$ 80,334</u>
Proprietary funds:					
Sewer Fund	<u>\$ -</u>	<u>\$ 2,180</u>	<u>\$ -</u>	<u>\$48,829</u>	<u>\$ 51,009</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,000</u>	<u>\$ 40,000</u>

All receivables are considered to be fully collectable.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 15,906	\$ -	\$ -	\$ 15,906
Capital assets being depreciated:				
Land and improvements	25,075	-	-	25,075
Buildings	257,682	-	-	257,682
Equipment	354,842	22,374	-	377,216
Vehicles	518,500	-	-	518,500
Shared road improvements	508,849	214,695	-	723,544
Subtotal	1,664,948	237,069	-	1,902,017
Less accumulated depreciation for:				
Land improvements	(10,570)	(1,254)	-	(11,824)
Buildings	(103,813)	(5,173)	-	(108,986)
Equipment	(136,724)	(22,197)	-	(158,921)
Vehicles	(268,019)	(25,925)	-	(293,944)
Shared road improvements	(39,309)	(34,575)	-	(73,884)
Subtotal	(558,435)	(89,124)	-	(647,559)
Total capital assets being depreciated, net	1,106,513	147,945	-	1,254,458
Governmental activities capital assets, net	\$ 1,122,419	\$ 147,945	\$ -	\$ 1,270,364

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 577,231	\$ -	\$ -	\$ 577,231
Equipment	<u>35,249</u>	<u>-</u>	<u>-</u>	<u>35,249</u>
Subtotal	<u>612,480</u>	<u>-</u>	<u>-</u>	<u>612,480</u>
Less accumulated depreciation for:				
Sewer system	(146,417)	(11,550)	-	(157,967)
Equipment	<u>(3,860)</u>	<u>(1,760)</u>	<u>-</u>	<u>(5,620)</u>
Subtotal	<u>(150,277)</u>	<u>(13,310)</u>	<u>-</u>	<u>(163,587)</u>
Total capital assets being depreciated, net	<u>462,203</u>	<u>(13,310)</u>	<u>-</u>	<u>448,893</u>
Business-type activities capital assets, net	<u>\$ 462,203</u>	<u>\$ (13,310)</u>	<u>\$ -</u>	<u>\$ 448,893</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 19,140
Public safety	35,319
Public works	<u>34,665</u>
Total governmental activities	<u>\$ 89,124</u>

NOTE 6 - PAYABLES:

At March 31, 2008, the payables of the Township's funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Deposits</u>	<u>Totals</u>
Governmental funds:				
General Fund	<u>\$ 21,254</u>	<u>\$ 5,297</u>	<u>\$ 10,850</u>	<u>\$ 37,401</u>

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM DEBT:

At March 31, 2008, long-term debt consists of the following individual issue:

Business-type activities:

Bonds payable:

\$191,000 2005 General Obligation Limited Tax Bonds - payable in annual installments ranging from \$31,000 to \$40,000, plus interest at 2.5% to 3.2%; final payment due April 2010 \$ 120,000

Long-term debt activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
2005 Sewer bonds	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 80,000</u>

At March 31, 2008, debt service requirements are as follows:

<u>Year ended March 31:</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 80,000	\$ 3,140
2010	<u>40,000</u>	<u>640</u>
	<u>\$ 120,000</u>	<u>\$ 3,780</u>

All debt is secured by the full faith and credit of the Township.

NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Township of Oakfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2008, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Capital Improvement	\$ 25,758		
Cemetery	<u>863</u>	General	<u>\$ 26,621</u>
Total	<u>\$ 26,621</u>	Total	<u>\$ 26,621</u>

The transfer to the Cemetery Fund represents an overpayment for cemetery operational costs accounted for in the General Fund.

The transfer to the Capital Improvement Fund represents unrestricted funds to finance road construction and maintenance costs.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 52,263
Expenses	<u>(52,279)</u>
Deficiency of revenues over expenses	<u>\$ (16)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Oakfield
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 166,224	\$ 166,224	\$ 186,290	\$ 20,066
Licenses and permits	35,000	35,000	52,263	17,263
Federal grant - FEMA	87,275	87,275	14,245	(73,030)
State grants:				
State shared revenue	330,000	330,000	345,843	15,843
Other	6,703	6,703	6,910	207
Charges for services	18,150	18,150	20,823	2,673
Interest and rentals	35,000	35,000	53,488	18,488
Other:				
Special assessment	-	-	37,516	37,516
Miscellaneous	10,000	10,000	8,933	(1,067)
Total revenues	<u>688,352</u>	<u>688,352</u>	<u>726,311</u>	<u>37,959</u>
EXPENDITURES				
Legislative	<u>8,800</u>	<u>8,800</u>	<u>7,645</u>	<u>1,155</u>
General government:				
Supervisor	18,291	18,291	18,229	62
Elections	9,400	9,400	5,650	3,750
Assessor	31,248	31,248	30,629	619
Clerk	22,310	22,310	22,199	111
Treasurer	24,307	24,307	22,771	1,536
Hall and grounds	27,350	27,350	22,148	5,202
Cemetery	12,932	12,932	13,825	(893)
Other	97,892	97,892	76,109	21,783
Total general government	<u>243,730</u>	<u>243,730</u>	<u>211,560</u>	<u>32,170</u>
Public safety:				
Fire protection	73,338	73,338	68,565	4,773
Inspections	46,605	46,605	45,431	1,174
Total public safety	<u>119,943</u>	<u>119,943</u>	<u>113,996</u>	<u>5,947</u>

Township of Oakfield

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Road construction and maintenance	\$ 338,386	\$ 338,386	\$ 240,312	\$ 98,074
Weed control	<u>-</u>	<u>-</u>	<u>32,411</u>	<u>(32,411)</u>
Total public works	<u>338,386</u>	<u>338,386</u>	<u>272,723</u>	<u>65,663</u>
Community and economic development - planning and zoning	<u>21,151</u>	<u>21,151</u>	<u>10,817</u>	<u>10,334</u>
Recreation and culture - Historical commission	<u>9,500</u>	<u>9,500</u>	<u>8,751</u>	<u>749</u>
Capital outlay	<u>76,220</u>	<u>76,220</u>	<u>40,783</u>	<u>35,437</u>
Total expenditures	<u>817,730</u>	<u>817,730</u>	<u>666,275</u>	<u>151,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(129,378)</u>	<u>(129,378)</u>	<u>60,036</u>	<u>189,414</u>
OTHER FINANCING USES				
Transfers out:				
Cemetery Fund	(6,041)	(6,041)	(863)	5,178
Capital Improvement Fund	<u>(66,746)</u>	<u>(66,746)</u>	<u>(25,758)</u>	<u>40,988</u>
Total other financing uses	<u>(72,787)</u>	<u>(72,787)</u>	<u>(26,621)</u>	<u>46,166</u>
NET CHANGE IN FUND BALANCES	(202,165)	(202,165)	33,415	235,580
FUND BALANCES - BEGINNING	<u>515,870</u>	<u>515,870</u>	<u>515,870</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 313,705</u>	<u>\$ 313,705</u>	<u>\$ 549,285</u>	<u>\$ 235,580</u>

Township of Oakfield**BUDGETARY COMPARISON SCHEDULE - Capital Improvement Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES	\$ -	\$ -	\$ 17,024	\$ 17,024
Interest	-	-	-	-
Other - donation				
OTHER FINANCING SOURCES	<u>66,746</u>	<u>66,746</u>	<u>25,758</u>	<u>(40,988)</u>
Transfers in - General Fund	66,746	66,746	42,782	(23,964)
NET CHANGE IN FUND BALANCES	<u>439,410</u>	<u>439,410</u>	<u>439,410</u>	<u>-</u>
FUND BALANCES - BEGINNING	<u>\$ 506,156</u>	<u>\$ 506,156</u>	<u>\$ 482,192</u>	<u>\$ (23,964)</u>
FUND BALANCES - ENDING				

July 25, 2008

To the Board of Trustees
Township of Oakfield

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Oakfield for the year ended March 31, 2008, and have issued our report thereon dated July 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Oakfield are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Oakfield during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Oakfield's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Oakfield as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Oakfield's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Oakfield and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall A.C.